

**REPORT OF THE AUDIT OF THE
CHRISTIAN COUNTY
CLERK**

**For The Year Ended
December 31, 2003**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CHRISTIAN COUNTY CLERK

**For The Year Ended
December 31, 2003**

The Auditor of Public Accounts has completed the Christian County Clerk's audit for the year ended December 31, 2003. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting described in Note 1.

Financial Condition:

This is the first year the Christian County Clerk has established an operating fund and county fund with the state after having established the county's population was over 70,000.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and quarterly paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

For the year ended December 31, 2003, the County Clerk's fee revenues were \$11,140,998, an increase of \$621,298 over the previous year. Expenditures increased over the previous year by \$571,260 resulting in total expenditures of \$10,044,326. Funds of \$1,096,762 were paid to the County Clerk's operating and county funds maintained by the state.

For the year ended December 31, 2003, the 75 % operating fund of the county clerk had revenues of \$838,151 and expenditures \$689,962 resulting in an ending balance of \$148,189. The county fund of the clerk had revenues of \$258,521 and excess fees paid to the county treasurer of \$258,521.

Deposits:

The County Clerk's deposits were uninsured for \$82,831.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Tribble, Christian County Judge/Executive
Honorable Michael A. Kem, Christian County Clerk
Members of the Christian County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Christian County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2003. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2003, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2004, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



The Honorable Steve Tribble, Christian County Judge/Executive
Honorable Michael A. Kem, Christian County Clerk
Members of the Christian County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Christian County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 28, 2004

CHRISTIAN COUNTY
MICHAEL A. KEM, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2003

Revenues

State Fees For Services	\$	21,180
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Fiscal Court		14,498
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Licenses, Taxes and Fees:

Motor Vehicle-

Licenses and Transfers	\$	1,318,532
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Usage Tax		5,691,507
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Tangible Personal Property Tax		3,017,742
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Licenses-

Marriage		26,324
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Occupational		7,073
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Beer and Liquor		9,301
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Candidate Filing Fees		250
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Clerk Lien Fees		9,068
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Deed Transfer Tax		133,610
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Delinquent Taxes	364,593	10,578,000
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	31,573
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Real Estate Mortgages		153,405
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Chattel Mortgages and Financing Statements		171,083
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Powers of Attorney		4,654
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All Other Recordings		70,896
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Charges for Other Services-

Copywork	13,688	445,299
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Other:

Overpayments	\$	62,148
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Reimbursements		12,552
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Check Fees		1,425
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Vehicle Inspection Fees		180
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Miscellaneous	5,269	81,574
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Interest Earned		447
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Total Revenues	\$	11,140,998
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The accompanying notes are an integral part of the financial statements.

CHRISTIAN COUNTY
MICHAEL A. KEM, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
For The Year Ended December 31, 2003
(Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	1,026,469	
Usage Tax		5,513,545	
Tangible Personal Property Tax		1,037,915	
Licenses, Taxes, and Fees-			
Delinquent Tax		57,333	
Legal Process Tax		52,392	
Candidate Filing Fees		150	\$ 7,687,804

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	248,389	
Delinquent Tax		50,024	
Deed Transfer Tax		126,929	
Occupational Licenses		5,818	
Beer and Liquor Licenses		8,756	439,916

Payments to Other Districts:

Tangible Personal Property Tax	\$	1,606,342	
Delinquent Tax		161,803	1,768,145

Payments to Sheriff 10,153

Payments to County Attorney 50,477

Operating Disbursements:

Other Charges-

Refunds	\$	84,655	
Misc		3,176	87,831

Total Expenditures \$ 10,044,326

Net Revenues \$ 1,096,672

Payments to State Treasurer:

75% Operating Fund	\$	838,151	
25% County Fund		258,521	1,096,672

Balance Due at Completion of Audit \$ 0

The accompanying notes are an integral part of the financial statements.

CHRISTIAN COUNTY
MICHAEL A. KEM, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2003

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2003	\$ 0	\$ 0	\$ 0
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	838,151		838,151
Fees Paid to State - County Funds (25%)		258,521	258,521
Total Funds Available	\$ 838,151	\$ 258,521	\$ 1,096,672
<u>Expenditures</u>			
Christian County Government	\$	\$ 258,521	\$ 258,521
Personal Services-			
Clerk's Salary and Expense Allowance	85,568		85,568
Deputies' Salaries	323,099		323,099
Part-Time Salaries	41,645		41,645
Training incentive	3,036		3,036
Employee Benefits-			
Employer's Share Social Security	32,947		32,947
Employer's Share Retirement	27,782		27,782
Employer's Paid Health Insurance	99,316		99,316
Other Payroll Disbursements	1,713		1,713
Other Charges-			
Office Supplies	17,859		17,859
Computing Consultants & Software	15,907		15,907
Postal Charges	13,141		13,141
Conventions & Travel	6,014		6,014
Maintenance and Repairs	4,702		4,702
Data Processing Supplies	4,013		4,013
Insurance	1,501		1,501
Rentals	3,348		3,348
Memberships	1,750		1,750
Telephone and Internet	1,109		1,109
Advertising	167		167
Printing	137		137
Miscellaneous	93		93

The accompanying notes are an integral part of the financial statements.

CHRISTIAN COUNTY
MICHAEL A. KEM, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2003
(Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Capital Outlay-			
Office Equipment	\$ 5,115	\$	\$ 5,115
 Total Expenditures	 \$ 689,962	 \$ 258,521	 \$ 948,483
 Fund Balance - December 31, 2003	 \$ 148,189	 \$ 0	 \$ 148,189

The accompanying notes are an integral part of the financial statements.

CHRISTIAN COUNTY
MICHAEL A. KEM, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2003

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

CHRISTIAN COUNTY
MICHAEL A. KEM, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months and 7.34 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of April 8, 2003, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$82,831 of public funds uninsured and unsecured.

CHRISTIAN COUNTY
 MICHAEL A. KEM, COUNTY CLERK
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2003
 (Continued)

Note 3. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official at year-end or as of April 8, 2003.

	<u>Bank Balance</u>
FDIC insured	\$ 100,000
Collateralized with securities held by pledging depository institution in the county official's name	709,252
Uncollateralized and uninsured	<u>82,831</u>
Total	<u><u>\$ 892,083</u></u>

Note 4. Lease

The office of the County Clerk was committed to a lease agreement for a postage machine. The agreement requires a monthly payment of \$164 for 60 months to be completed on November 30, 2004. The total balance of the agreement was \$1,808 as of December 31, 2003.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Tribble, County Judge/Executive
Honorable Michael A. Kem, Christian County Clerk
Members of the Christian County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Christian County Clerk for the year ended December 31, 2003, and have issued our report thereon dated June 28, 2004. This was a special report on the County Clerk's financial statements prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Christian County Clerk's financial statements as of December 31, 2003, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Christian County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 28, 2004

